

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>East Lansing – Meridian Water and Sewer Authority</u>	County <u>Ingham</u>
Audit Date <u>June 30, 2005</u>	Opinion Date <u>September 29, 2005</u>	Date Accountant Report Submitted To State: <u>February 22, 2006</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address <u>27400 Northwestern Highway</u>	City <u>Southfield</u>	State <u>MI</u>	ZIP <u>48037-0307</u>
Accountant Signature 			

East Lansing - Meridian Water and Sewer Authority

**Financial Report
with Supplemental Information
June 30, 2005**



East Lansing - Meridian Water and Sewer Authority

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Independent Auditor's Report

To the Board of Trustees
East Lansing - Meridian Water and Sewer Authority

We have audited the accompanying basic financial statements of East Lansing - Meridian Water and Sewer Authority (the Authority) as of June 30, 2005 and 2004, and for the years then ended, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of East Lansing - Meridian Water and Sewer Authority at June 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

September 29, 2005

East Lansing - Meridian Water and Sewer Authority

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. Along with the footnotes, they provide detailed financial information concerning the Authority. This section, the management's discussion and analysis is intended to provide an overview of the Authority's financial condition, result of operations, and other key information.

Financial Overview

In analyzing the Authority's financial position, it is important to recognize the mission of the Authority. From a financial perspective, the Authority's core objective is to manage the long-term costs of providing purified water to the Municipalities. In essence, the Authority acts as a conduit for its two Municipalities. The amounts charged to the Municipalities approximate the operating costs incurred by the Authority in providing purified water. The key financial statistics for the Authority, therefore, relate to measurement of the ability to reduce total costs to the Municipalities (as opposed to the ability to accumulate financial resources).

	2005	2004	2003
Total operating expenses	\$ 2,923,127	\$ 2,447,101	\$ 2,407,119
Total water production (in thousands of gallons)	2,364,630	2,385,590	2,676,870
Cost per thousand gallons	1.24	1.03	0.90

The cost per thousands of gallons was higher than the prior year due to higher operating costs. The cost of spent lime removal occurred in 2005 which increased operating costs substantially. This expense only occurs every third year.

East Lansing - Meridian Water and Sewer Authority

Management's Discussion and Analysis (Continued)

Financial Overview (Continued)

The Authority's total net assets decreased by \$534,827 from the prior year. The decrease was caused by a reduction to assets of \$828,405 and a reduction of liabilities of \$293,578.

	2005	2004	% Change
Capital assets	\$ 7,362,010	\$ 7,650,277	-4%
Other assets	<u>1,020,391</u>	<u>1,560,529</u>	-35%
Total assets	8,382,401	9,210,806	-9%
Other liabilities	377,107	670,685	-44%
Net assets:			
Invested in capital assets net of related debt	7,362,010	7,290,556	1%
Restricted assets	445,568	440,742	1%
Unrestricted	<u>197,716</u>	<u>808,823</u>	-76%
Total net assets	<u><u>\$ 8,005,294</u></u>	<u><u>\$ 8,540,121</u></u>	

The total assets of the Authority decreased \$828,405 from one year ago. Assets were reduced because 2005 was the third year of the spent lime maintenance project and cash contributed in previous years was expensed to pay for the removal of spent lime. As the Municipalities desire to keep their operating contributions consistent from year to year, the Municipalities contribute annually to support the costs of the project rather than contributing every third year. Also, capital assets were reduced by the current depreciation.

The decrease in liabilities of \$293,578 was a result of the elimination of bond liability as the bonds were paid in full at year end.

East Lansing - Meridian Water and Sewer Authority

Management's Discussion and Analysis (Continued)

Financial Overview (Continued)

Intergovernmental billings are the contributions from the Municipalities to fund operating expenses. Any excess intergovernmental billings contributed to the Authority are reimbursed back to the Municipalities and are included in non-operating revenue (expense). With the exception of the effect of the spent lime removal project and any allocation of existing fund balance, the operating expenses and intergovernmental billings should have a direct relationship. In the current year, intergovernmental billings decreased by four percent and operating expenses increased by 19 percent. Since spent lime was removed in 2005, this affected both operating expenses and the net income. Because the contributions for the removal of spent lime was spread over three years, but the cost was fully recognized in 2005, operating expenses increased significantly which caused a net loss.

	2005	2004	% Change
Intergovernmental billings	\$ 2,357,986	\$ 2,460,440	-4%
Other operating revenue	284,130	360,726	-21%
Operating expenses	2,923,127	2,447,101	19%
Net income from operations	(281,011)	374,065	
Nonoperating revenue (expense)	(253,816)	(210,816)	20%
Net income (loss)	<u>\$ (534,827)</u>	<u>\$ 163,249</u>	

The increase in nonoperating revenue (expense) was a result of greater return of excess contributions to the Municipalities. Contributions are estimated at the beginning of each fiscal year to cover operational expenses. Any excess is returned to the Municipalities at year end.

Capital Asset and Debt Administration

The Authority incurred costs in fiscal years 2002 and 2001 related to the construction of two storage facilities and interconnect sites by the Board of Water and Light. These interconnect sites will allow the Board of Water and Light to provide water production to the Authority. There was no construction in 2005 related to the interconnect sites. The Authority has plans to complete one additional interconnect site with the Board of Water and Light in the near future.

The Authority had one outstanding debt issue of which proceeds were used for renovations and system improvements. This debt issue was paid off in fiscal year 2005. The Authority has no definite plans to incur additional debt financing in the near future.

East Lansing - Meridian Water and Sewer Authority

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Rates

The expected production of water by the Authority for the next fiscal year is not expected to significantly change. As a result, the related operating expenses and amounts contributed by the Municipalities should not substantially change.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact Karen Ruddy, CPA, Treasurer, East Lansing - Meridian Water and Sewer Authority, at 517-319-6892.

East Lansing - Meridian Water and Sewer Authority

Statement of Net Assets

	June 30	
	2005	2004
Assets		
Cash and cash equivalents administered by the City of East Lansing (Note 2)	\$ 519,230	\$ 1,055,799
Inventory	39,525	37,495
Receivable due from Meridian Township	-	16,331
Receivable due from the State of Michigan	16,068	10,162
Assets limited as to use (Notes 1 and 2)	445,568	440,742
Capital assets (Note 3)	7,362,010	7,650,277
Total assets	8,382,401	9,210,806
Liabilities		
Accounts payable	63,801	73,026
Accrued payroll and related items	67,998	62,581
Accrued interest payable	-	6,750
Due to Municipalities	245,308	168,637
Bonds payable - Due within one year (Note 4)	-	359,721
Total liabilities	377,107	670,715
Net Assets		
Invested in capital assets - Net of related debt	7,362,010	7,290,556
Restricted for debt service and other purposes	445,568	440,742
Unrestricted	197,716	808,823
Total net assets (Note 8)	<u>\$ 8,005,294</u>	<u>\$ 8,540,121</u>

East Lansing - Meridian Water and Sewer Authority

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2005	2004
Operating Revenue		
Intergovernmental billings from sale of water:		
City of East Lansing	\$ 1,037,514	\$ 1,082,594
Meridian Township	1,320,472	1,377,846
Contribution from Municipalities for BWL contract (Note 5)	251,283	285,431
State wellhead grant	32,847	75,295
Total operating revenue	2,642,116	2,821,166
Operating Expenses		
Salaries and wages	592,159	572,053
Fringe benefits	181,072	162,604
Pension (Note 6)	44,419	36,179
Utilities	373,421	340,870
Operating supplies	270,677	275,734
Purchase of water from BWL	370,083	404,231
Grant expenses	32,847	63,459
Repairs and maintenance	264,735	300,011
Outside services	17,739	165,136
Rentals	21,268	21,268
Administrative fees	25,000	25,000
Insurance	68,717	66,527
Communications	8,725	9,745
Spent Lime Removal	648,200	-
Miscellaneous	4,065	4,284
Total operating expenses	2,923,127	2,447,101
Operating Income (Loss)	(281,011)	374,065
Nonoperating Revenue (Expenses)		
Interest income	17,964	14,832
Contributions from Municipalities - Payment of principal and interest on bonds	380,585	379,285
Return of excess billings to Municipalities	(227,490)	(168,637)
Depreciation	(410,731)	(402,904)
Interest on bonds	(14,144)	(33,392)
Total nonoperating expense	(253,816)	(210,816)
Net Income (Loss)	(534,827)	163,249
Net Assets - Beginning of year	8,540,121	8,376,872
Net Assets - End of year	<u>\$ 8,005,294</u>	<u>\$ 8,540,121</u>

East Lansing - Meridian Water and Sewer Authority

Statement of Cash Flows

	Year Ended June 30	
	2005	2004
Cash Flows from Operating Activities		
Cash received from customers	\$ 2,468,875	\$ 2,483,417
Cash received from grants	32,847	75,295
Cash payments to employees for services rendered	(767,814)	(725,151)
Cash payments to suppliers for goods and services	(2,161,151)	(1,754,137)
Net cash provided by (used in) operating activities	(427,243)	79,424
Cash Flows from Capital and Related Financing Activities		
Principal and interest paid on long-term debt	(380,615)	(379,286)
Payments for the acquisition or construction of capital assets	(122,464)	(118,423)
Collection from municipalities for debt service and BWL interconnects	380,585	379,285
Net cash used in capital and related financing activities	(122,494)	(118,424)
Cash Flows from Investing Activities		
Interest received on investments	17,964	14,832
Purchase of investments	(2,327)	(1,773)
Net cash provided by investing activities	15,637	13,059
Net Decrease in Cash and Cash Equivalents	(534,100)	(25,941)
Cash and Cash Equivalents - Beginning of year	1,263,693	1,289,634
Cash and Cash Equivalents - End of year	<u>\$ 729,593</u>	<u>\$ 1,263,693</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities		
Operating income (loss)	\$ (281,011)	\$ 374,065
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Return of excess billings to Municipalities	(227,490)	(168,637)
Changes in assets and liabilities:		
Increase in inventory	(2,030)	(3,211)
(Increase) decrease in receivable due from Meridian Township	16,331	(12,039)
(Increase) decrease in receivable due from State of Michigan	(5,906)	719
Decrease in accounts payable	(9,225)	(38,482)
Increase in accrued payroll and related items	5,417	9,506
Increase (decrease) in due to Municipalities	76,671	(82,497)
Net cash provided by (used in) operating activities	<u>\$ (427,243)</u>	<u>\$ 79,424</u>
Balance Sheet Classification of Cash and Cash Equivalents		
Cash and cash equivalents administered by the City of East Lansing	\$ 519,230	\$ 1,055,799
Assets limited as to use	210,363	207,894
Total cash and cash equivalents	<u>\$ 729,593</u>	<u>\$ 1,263,693</u>

There were no significant noncash capital and related financing or investing activities during the years ending June 30, 2005 and 2004.

East Lansing - Meridian Water and Sewer Authority

Notes to Financial Statements June 30, 2005 and 2004

Note 1 - Significant Accounting Policies

The East Lansing - Meridian Water and Sewer Authority (the Authority) was jointly incorporated by the City of East Lansing and Meridian Township (the Municipalities) for the purpose of obtaining financing to construct water processing and purification facilities and selling purified water to the Municipalities.

Contributions from the Municipalities for principal payments on bonds and acquisition of capital assets are credited to nonoperating revenue. The Municipalities' share of the Authority's operating costs is based on their respective annual water consumption. Depreciation, which is allocated principally in proportion to the Municipalities' share of certain debt service requirements (Note 3), is not included as a reimbursable operating cost. Assets limited as to use and interest accrued thereon are to be used for equipment replacement, renovation, and construction of certain improvements.

Basis of Accounting - The Authority utilizes the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Private-sector standards of accounting issued prior to December 1, 1989, are generally followed, unless those standards conflict with standards of the Governmental Accounting Standards Board; the Authority has elected not to follow private-sector standards issued after November 30, 1989.

Cash and Cash Equivalents - The Authority considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Inventories - Inventories are valued at cost, on a first-in, first-out basis, which approximates market value.

Property, Plant, and Equipment - Property, plant, and equipment are recorded at cost. Depreciation is computed by the straight-line method based on the estimated useful lives, which range from 10 to 40 years, except for wells that have an estimated useful life of 80 years.

Return of Reserve to Municipalities - Pursuant to a decision by the Board, the Authority reviews the contributions by the respective Municipalities. The contributions are analyzed, and a return to the Municipalities in excess of operating expenses occurs.

East Lansing - Meridian Water and Sewer Authority

Notes to Financial Statements June 30, 2005 and 2004

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated two banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment as allowed by the State statutory authority as listed above. The Authority's deposits and investment policies are in accordance with statutory authority.

The Authority's deposits and investments are included on the balance sheet under the following classifications:

	2005	2004
Cash and cash equivalents administered by the City of East Lansing for operations	\$ 519,230	\$ 1,055,799
Limited as to use:		
Cash and cash equivalents	210,363	207,894
Investments, at fair value	235,205	232,848
Total limited as to use	445,568	440,742
Total	\$ 964,798	\$ 1,496,541

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

East Lansing - Meridian Water and Sewer Authority

Notes to Financial Statements June 30, 2005 and 2004

Note 2 - Deposits and Investments (Continued)

Custodial credit risk of bank deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Authority had \$647,701 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. At year end, the Authority had \$14,477 in mutual funds that are unrated.

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>2004</u>	<u>Additions</u>	<u>2005</u>	<u>Depreciable Life-Years</u>
Land	\$ 277,812	\$ -	\$ 277,812	-
Equity in BWL interconnect facility	854,188	-	854,188	10
Water treatment plant	6,908,576	97,281	7,005,857	10-40
Wells, mains, and equipment	<u>5,666,111</u>	<u>25,183</u>	<u>5,691,294</u>	10-80
Total	13,706,687	122,464	13,829,151	
Less accumulated depreciation	<u>(6,056,410)</u>	<u>(410,731)</u>	<u>(6,467,141)</u>	
Net carrying amount	<u>\$ 7,650,277</u>	<u>\$ (288,267)</u>	<u>\$ 7,362,010</u>	

East Lansing - Meridian Water and Sewer Authority

Notes to Financial Statements June 30, 2005 and 2004

Note 4 - Long-term Debt

The Authority issues bonds to provide for the acquisition and construction of capital facilities. Long-term debt activity can be summarized as follows:

	Outstanding at June 30, 2004	Paid During Year Ended June 30, 2005	Outstanding at June 30, 2005	Due Within One Year
System Improvement Bonds, dated December 1, 1992, and maturing in the amount of \$360,000 in 2005 with an interest rate of 5.6%.	\$ 359,721	\$ 359,721	\$ -	\$ -

The full faith and credit of the Municipalities are pledged for payment of their respective shares of the System Improvement Bonds. As additional collateral for the payments on each bond issue, the Municipalities have pledged up to 25 percent of their annual sales tax proceeds from the State of Michigan. Proceeds from the System Improvement Bonds were used for renovations and system improvements. Corresponding interest and principal payments are shared by the City of East Lansing (50.3 percent) and Meridian Township (49.7 percent).

Note 5 - BWL Wholesale Water Service Agreement

The Authority has entered into various agreements throughout the years with the Board of Water and Light of the City of Lansing (BWL) to provide connection and water services to both the City of East Lansing and Meridian Township. In conjunction with these agreements, certain interconnect fees are charged to the Municipalities.

Note 6 - Defined Benefit Pension Plan and Postretirement Benefits

Plan Description - The Authority participates in the Michigan Municipal Employees' Retirement System (MERS), an agent, multiple-employer defined benefit pension plan that covers all employees of the Authority. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The Authority represents a division within the actuarial report of the City of East Lansing. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The obligation to contribute to and maintain the System for these employees was established by the Authority's Board of Trustees and requires no contribution from the employees.

East Lansing - Meridian Water and Sewer Authority

Notes to Financial Statements June 30, 2005 and 2004

Note 6 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)

Annual Pension Costs - For the year ended 2005, the Authority's annual pension cost of \$44,419 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation assumption of 4.5 percent per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three-year trend information as of June 30 follows:

	Fiscal Year Ended June 30		
	2003	2004	2005
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 33,482	\$ 36,179	\$ 44,419
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Postretirement Benefits - The Authority will provide health care benefits to various employees in accordance with the personnel rules upon retirement. Currently, the Authority has no retirees. The Authority will also include retirees and their spouses in a commercial health insurance policy, with no contribution required by the participant. During the year, there were no premiums paid as there are no retirees. There is also no advance funding of health insurance for retirees.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Post Employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended June 30, 2009.

East Lansing - Meridian Water and Sewer Authority

Notes to Financial Statements June 30, 2005 and 2004

Note 7 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for property loss, torts, errors and omissions, and medical benefits provided to employees claims, and participates in the Michigan Municipal League risk pool program for claims relating to employee injuries (workers' compensation). Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 8 - Allocation of Net Assets

	2005	2004
City of East Lansing	\$ 2,356,149	\$ 2,347,623
Meridian Township	4,160,061	4,219,320
Unallocated	1,489,084	1,973,178
Total	<u>\$ 8,005,294</u>	<u>\$ 8,540,121</u>